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November 30, 2017

Torsten Clausen
Illinois Commerce Commission
527 E. Capitol Avenue
Springfield, Illinois 62701

Via e-mail: Torsten.Clausen@Illinois.gov

Dear Mr. Clausen:

MidAmerican Energy Company ("MidAmerican") appreciates the opportunity to comment on Local Resource Zone 4 ("Zone 4") resource adequacy in the Midcontinent Independent System Operator, Inc. ("MISO") footprint.

Summary

MidAmerican takes no position at this time on issues affecting Zone 4. MidAmerican asks the Illinois Commerce Commission ("ICC" or "Commission") and its staff to affirm that its current analysis is limited to Zone 4 and does not affect the Illinois portion of MISO's Local Resource Zone 3.

Comment

In a November 22, 2017 e-mail in advance of a planned December 7, 2017 workshop, Commission staff sought comment on (1) the state of resource adequacy in Zone 4; (2) the ability of existing state and federal rules, regulations, and laws to ensure resource adequacy; (3) changes, if any, that should be made to state rules, regulations, or laws to better ensure resource adequacy; and (4) any other topics that are relevant with respect to MISO Zone 4 resource adequacy.

While MidAmerican takes no position on the issues raised by staff, MidAmerican asks the Commission and its staff to affirm that the options under consideration are intended to apply only within Zone 4.

MidAmerican raises this concern out of an abundance of caution, since to MidAmerican's knowledge, neither MISO (which raised various concerns in a May 1, 2017 letter to the Illinois Governor), nor the Governor himself (who asked the Commission to generate a white paper addressing MISO's concerns), nor the Commission and its staff (whose white paper consistently refers to "Zone 4") has suggested that the current discussion be extended to Zone 3.

Limiting the discussion to Zone 4 is appropriate for several reasons. First, MISO's May 1 letter expressed concern about the "Ameren footprint," all of which is contained in Zone 4. As noted in the May 1 letter, MISO's concerns arose after the Federal Energy Regulatory Commission ("FERC") rejected a MISO proposal for a "market-based approach to support and facilitate resource adequacy." That proposal, which MISO termed the "Competitive Retail Solution," would not have applied to Zone 3, because MISO saw no need to alter the existing resource adequacy construct in Zone 3. Since MISO has shown no concern with the current Zone 3 resource adequacy construct, and explicitly exempted Zone 3 from its Competitive Retail Solution,¹ there is no reason to pursue changes in Zone 3 at this time.

Second, Illinois Governor Bruce Rauner's request to the Commission is clearly limited to Zone 4. On October 26, 2017, Governor Rauner wrote to Commission Chairman Brien J. Sheahan citing MISO's concern regarding "structural challenges *in the MISO Zone 4* energy market." The Governor in turn asked the Commission to "produce a white paper outlining the technical and regulatory background underpinning the current challenges *in the MISO Zone 4* market." (Emphasis added.) It is clear that the focus of both MISO and the Governor has been limited to Zone 4.

Third, the staff white paper prepared in response to the Governor's request focuses exclusively on Zone 4.² While the white paper is clearly focused on Zone 4, MidAmerican notes that the Potential Policy Options identified in Section IX of the white

¹ Under MISO's Competitive Retail Solution ("CRS"), submitted November 1, 2016 in FERC Docket No. ER17-284, the Illinois portion of Zone 3 would have been exempt from CRS participation based on a "Materiality Threshold." MISO expressed concern that, absent the Materiality Threshold, an auction "would not provide a reliable price signal that reflects a [Local Resource Zone's] long-term resource adequacy needs, or on which market participants could reliably base future resource adequacy decisions." Further, MISO cited "higher risks of market power abuse" and "uneconomic market outcomes." Finally, MISO held that areas that did not exceed the Materiality Threshold did "not pose regional reliability risks, and thus would not implicate the regional reliability concerns that the CRS seeks to address." See November 1, 2016 transmittal letter at 24-25.

² Commission staff to Chairman Sheahan, memorandum, November 1, 2017. "Resource Adequacy in MISO Zone 4." Posted at <https://www.icc.illinois.gov/downloads/public/ICC%20MISO%20Zone%204%20White%20Paper%2011-1-17.pdf>, accessed November 28, 2017.

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paper could implicate other areas of Illinois. MidAmerican encourages the Commission to confine any solution to the issues in Zone 4 exclusively.

In summary, MISO has found no reliability concerns in Zone 3 that require a unique solution. Since neither the Governor nor the staff white paper has suggested that further options are needed in Zone 3, MidAmerican respectfully requests that the Commission and staff confirm that the current discussion (including the pursuit of any potential policy options) is limited to issues in Zone 4.

Sincerely,

A handwritten signature in blue ink, appearing to read "B. M. Clark". The signature is written in a cursive, flowing style.

Benjamin M. Clark
Senior Attorney